

University of Mississippi eGrove

Haskins and Sells Publications

Deloitte Collection

1972

Client profile: Out of the ivory places

Anonymous

Roy Stevens

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

H&S Reports, Vol. 09, (1972 winter), p. 16-21

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.



"Out of the *IVORY* palaces"

Who makes Ivory soap? Chances are that almost any shopper will answer: "Procter & Gamble, of course!"

But the average man or woman who shops in the supermarket will find it more difficult to name the makers of this list of packaged detergents: Bold, Bonus, Cheer, Dash, Duz, Gain, Oxydol, Tide and Salvo. Or such other household products as Cascade, Comet, Dreft, Joy, Mr. Clean, Spic and Span, or Top Job; or such bar soaps as Camay, Lava, Safeguard and Zest; or Crest and Gleem toothpaste; or Prell and Head & Shoulders shampoo; or Crisco and Duncan Hines prepared baking mixes, or Pampers disposable diapers.

In fact, *all* these products, and more, are made by the producers of Ivory soap—Procter & Gamble. The consumer tends to think of them by the brand name on the package, and by their performance, rather than by the international company that produces them for markets throughout the world. A Haskins & Sells client since 1952, and one of the great success stories in American business history, P&G has found its way into almost every American home. (A quick check into laundry, bath and kitchen will prove the point.) P&G's worldwide sales last year reached \$3,178,081,000, of which household consumer products sold in the United States accounted for about two-thirds. This means that on the average, P&G sold about \$10 worth in the U.S. market for every man, woman and child in the country.

Procter & Gamble is big in almost every way. Started in Cincinnati as a two-man partnership in 1837, P&G now has about 29,000 employees in the U.S. and close to 15,000 in other countries. About one-third of the American employees are in the Cincinnati area; the rest

Empty plastic Prell tubes are carefully inspected before they are put through filling machine, sealed by heat and pressure, then tested to insure that containers of this shampoo are completely leakproof.

Ornamental facade above Ivorydale plant entrance displays the moon-and-stars P&G trademark, which evolved from a crude cross painted on cases of soap shipped by Ohio River boat. Dates are the years of P&G founding and of the building of Ivorydale.



At annual H&S-P&G discussion of the client audit, Oreson H. Christensen, Cincinnati partner in charge, (standing, left) and H&S managing partner Michael N. Chetkovich (seated, right) confer with company officials: Howard J. Morgens, chairman of the board (seated, left); Neil H. McElroy, chairman of the executive committee of the board of directors (seated, center); Dean P. Fite, vice president-corporate affairs (standing, center); and James W. Nethercott, vice president and comptroller (standing, right).



are scattered in plants dotting the map from coast to coast, and from the Great Lakes to the Gulf of Mexico. A majority of employees are also P&G shareholders. Ever since 1890, when the original partnership gave way to the corporate form, Procter & Gamble dividend payments have flowed in an uninterrupted stream to stockholders, who now number some 89,000.

In a survey of 2,300 top-ranking business executives conducted by *Dun's Review* in 1970, P&G was chosen as one of the ten best-managed companies in the country. Only three companies of the ten had been honored in a similar survey seven years earlier, and P&G was one of them. *Dun's Review*, asking rhetorically why P&G is the master marketer, quoted P&G president Howard Morgens:

"Anybody can bring a product into the market with a lot of money and get a share. The question is, can they hold it? What is the long-range vitality of the product? Like people, all products have a life cycle. They are born, receive tender, loving care, and develop into lusty growth. But those that lack vitality become obsolescent and die. We try to market only those products that possess long-range vitality."

Has this policy paid off? The figures from the latest annual report tell the story. P&G sales exceeded the \$3 billion mark for the first time during the past fiscal year. Sales moved past \$2 billion only six years ago and exceeded \$1 billion only fifteen years ago. Earnings last year were about four times the level of fifteen years ago. During this fifteen-year period, earnings per share have grown at an average rate of 9.4 per cent.

What is the secret of P&G success? Many a management consultant would dearly love to find it, then package and sell it. But the vital element in the Procter & Gamble success story is elusive, and probably is a compound of several things—inventiveness, hard work and a long history of advanced scientific inquiry, combined in more recent years with sound management, consistent merchandising and

consumer confidence. Other companies have had their chance to put together the same elements, yet they have enjoyed nowhere near the same success.

Oreson H. Christensen, partner in charge of the Cincinnati H&S office, believes that management excellence is certainly a prime factor in the growth of the company: "They are three deep in every position," he says. "Promotion at Procter & Gamble is mainly from within. They hardly ever go outside to fill executive positions."

P&G was a client of Deloitte, Plender, Griffiths & Co. for many years before the merger of DPG with H&S in 1952 and has been a client of the Firm since that year. Working with Mr. Christensen on the P&G engagement in Cincinnati have been partner Gene Morgerson, principal Bill Teager, senior accountants Bob Cox and Greg Bier, and numerous staff accountants. Scores of H&S and DH&S accountants are involved in many other parts of the world.

The busy season on the P&G engagement runs from May to August, because its fiscal year ends June 30. Therefore the P&G heat is turned on after the winter-spring busy season on most other jobs. But as a result, accountants on the P&G engagement have had to adjust to late summer vacations.

Harry Weyrich, now an Executive Office partner, recalls his professional contacts with the company when he was in the Cincinnati office working on the P&G engagement: "When you deal with them, you always feel you have had your day in court. They listen to you. They are always receptive to what you think. You don't always find this in other companies."

The P&G story began 134 years ago when a shrewd Scotch-Irish chandler named Alexander Norris persuaded his two sons-in-law to go into partnership to manufacture soap and candles for the thousands of settlers streaming through Cincinnati heading for the South and West. William Procter, a molder of candles, and James Gamble, who boiled soap, signed an agreement "to become copartners together in the art & trade

of manufacturing soap and candles and all things thereto belonging, and also in buying and selling all sorts of goods belonging to said trade of soap boilers and candle makers..."

The articles of agreement provided for a division of their assets after fifteen years. But business was so good that the founders stayed together and kept on growing. By 1859 the Cincinnati factory had eighty employees and annual sales of \$1 million—a large enterprise for that time. In 1870 the founders turned control of their company over to two of their sons, but, as a recent P&G booklet notes with amusement, "not without first admonishing their successors that an advertising expenditure of \$1,500 in 1870 was excessive."

A critical piece of good fortune came to the company in 1878, when it was already making 24 varieties of soap. Someone in the factory (his name is lost to history) left a batch of white soap in the blending machine longer than usual, and the revolving blades stirred tiny bubbles into the mass. When the mixture was made into bars and then sold, it surprised users by floating. Customers who received the accidental batch called for more of "that floating soap." Thereafter the company whipped air into the mixture and floating soap became a regular P&G product. It was not yet called Ivory. One Sunday, Harley Procter, son of the founding Procter, was inspired in church by a passage in Psalms 45:8 referring to the fragrant smell of the



Huge hydrolizer storage kettles filled with base soap hold up to 10.5 million pounds of materials that go into Ivory, Camay and other brands. Kettles extend down through three floors of Ivorydale building, which was built in the 1880s and intended to last.

garments of women from "out of the ivory palaces." He quickly sold his colleagues the name Ivory for the white soap that floats.

In 1882 the younger Procter shipped samples of Ivory to a number of chemists, asking each of them for an impartial analysis. When their findings were put together, it was discovered that Ivory was "99 44/100% pure," only a part of one per cent being made up of so-called impurities. Shortly thereafter two slogans—"It floats" and "99 44/100% pure"—had swept the country.

Shipments of animal fats and vegetable oils to P&G's Ivorydale plant in Cincinnati (which is but one of the company's soap-making facilities) each month is measured in the hundreds of railroad tank cars. This material, basic to the manufacture of soap, is put through a hydrolizing process in a vertical tower 65 feet high, with stainless steel sides four inches thick. The heavy jacket is necessary to contain the steam under very high pressure that is run into the tower from the top at a temperature of 480 degrees Fahrenheit. The fatty acids used in soap making separate from glycerine in the hydrolizer, and after other processes they are run into storage tanks in a form called basic soap—to emerge later purified, mixed with other ingredients, perfumed and ready to be shaped into bars.

Elsewhere at Ivorydale and in its other plants Procter & Gamble workers are

Delicately balancing a column of miniature Ivory soap bars by exerting just the right pressure, inspector checks them visually before putting them on wrapper line. At Ivorydale P&G packs Ivory, Camay, and Safeguard mini bars in the wrappers of several hotel and motel chains.



making detergents (which fall like snow from spraying devices in large heated cylindrical towers); turning out paper goods such as tissues and towels; mixing, testing and tasting the Duncan Hines line of prepared baking mixes; roasting green coffee beans to make vacuum and instant coffees; compounding household cleaning products and pouring them into boxes and jars by the millions.

When its many dozens of products go to market, Procter & Gamble usually introduces them with marketing efforts emphasizing: "NEW — from Procter & Gamble." Then after a while, each product is left to float or to sink on its own, under its own brand name, with P&G's name de-emphasized. But long before the company's network of 3,000 salesmen place a new product on the supermarket shelves of America, P&G has taken it through a detailed program of laboratory research, testing and consumer surveying. In short, the company tries to determine just how much consumers would want — and would buy — a product it proposes to manufacture.

One source of strength in the company has been the unusually high calibre of its top management. Following William A. and William Cooper Procter have come:

Richard R. Deupree, who was president from 1930 to 1948, chairman of the board from 1948 to 1959, and now is honorary chairman of the board.

Neil H. McElroy, who was president from 1948 to 1957 before taking a two-year leave of absence to serve as Secretary of Defense. He returned to P&G in 1959 and was elected chairman of the board that year. He is now chairman of the executive committee of the board of directors.

Howard J. Morgens, who served as president from 1957 to 1971 and is now chairman of the board, continuing as chief executive of the company.

Edward G. Harness, who is now president of P&G.

Few organizations in this country have the depth of management experience and strength at all levels that P&G does.

P&G is not relaxing on its past successes by any means, as shown by its capital expenditures of more than \$400 million over the past three years. Recently opened or under way are a new food products plant in Tennessee, paper products plants in California and Georgia, a pulp mill in Alberta, Canada, and a new research and development center in Cincinnati. At the pulp and paper products plant near Mehoopany, Pennsylvania, on the Susquehanna River, P&G invested \$10 million in an environmental control system for treatment of waste water and materials. And on a national scale the company is laying stress on its responsibility, along with other industrial enterprises and public agencies, to protect the country's water and air resources.

P&G has been recognized for a long time as having one of the best employee benefit programs in American industry. The company profit sharing program was introduced in 1887, and has been in continuous operation since that date. "Dividend Day" is celebrated in Cincinnati each summer and winter. Winter sessions have always featured a party or show of some kind, while summer celebrations have been given over to picnics and family outings. At the first celebration in 1887, attended by 300 people, President William Cooper Procter personally distributed \$9,027 in dividends, with checks ranging from \$14 to \$280. In comparison, Cincinnati employees and their families in 1971 saw "Holiday on Ice" at Cincinnati Gardens, with more than 25,000 people attending the three special performances. Total profit sharing benefits to P&G employees in the U.S. during 1970 reached \$29,100,000.

Procter & Gamble has entered seriously into a program to open up more job opportunities for urban minorities. In Cincinnati it has been running a clerical training program for underqualified high school girls, consisting of an intensive twelve-week course designed to raise their clerical skills to the point where they can get and hold office jobs. P&G furnishes the instructors, pays the trainees for their training time and has hired a

good portion of those who complete the course. Another program, for both men and women, is designed to train laboratory technicians. Here again the company has enjoyed a gratifying success, as proved by the number of trainees who finish the course and qualify for employment at P&G.

Like all modern, growth-minded companies, Procter & Gamble is an active recruiter of talent, particularly on the university campuses. It seeks intelligent, ambitious men and women from many disciplines for its research laboratories, offices, sales force — even psychologists for opinion research on its products, and writers to answer more than 100,000 pieces of consumer mail that flow in each year.

Adhering to its policy of promoting from within, P&G refrains from looking for accounting talent among the Haskins & Sells auditing staff. But 44 years ago, in 1927, it came close to doing so. In the spring of that year, a young accounting major from the University of Illinois was seriously considering an attractive job offer from P&G, and he visited Cincinnati to be interviewed. After careful reflection, however, he chose instead to go with Haskins & Sells — where, as he looks back on it now, he found his true calling.

It is interesting to think what might have happened if John W. Queenan, H&S managing partner from 1956 to 1970, had accepted that offer in Cincinnati so long ago. □

Volunteer tasters judge flavor and "textural properties" of P&G food products in flavor panel room at Winton Hill Technical Center near Cincinnati. Shielded from distractions, this panel concentrates on devil's food cake prepared from a Duncan Hines mix.

